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FM AMEMBASSY RANGOON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7377
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBY/AMEMBASSY CANBERRA 1045
RUEHBJ/AMEMBASSY BEIJING 1808
RUEHKA/AMEMBASSY DHAKA 4817
RUEHNE/AMEMBASSY NEW DELHI 4592
RUEHUL/AMEMBASSY SEOUL 8134
RUEHKO/AMEMBASSY TOKYO 5695
RUEHCN/AMCONSUL CHENGDU 1411
RUEHCHI/AMCONSUL CHIANG MAI 1497
RUEHCI/AMCONSUL KOLKATA 0269
RUEAIIA/CIA WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEHGV/USMISSION GENEVA 3595
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 1449
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 000256

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STATE FOR EAP/MLS; INR/EAP; OES FOR JMIOTKE AND ACOVINGTON;
EAP FOR JYAMAMOTO; EEB FOR TSAEGER
PACOM FOR FPA;
TREASURY FOR OASIA: SCHUN

E.O. 12958: DECL: 09/21/2016

TAGS: [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [SENV](#) [BM](#)

SUBJECT: BURMA: YETAGUN PIPELINE RUPTURE TO COST MILLIONS

REF: A. IIR 6812 0052 08/BURMA: POSSIBLE SABOTAGE OF THE
YETAGUN GAS PIPELINE

[1](#)B. DTG 041010Z APR 08

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d)

[1](#)1. (C) Summary. Petroleum industry contacts confirmed that the Yetagun pipeline was shut down on April 2, not because of a small leak, but because an explosion approximately 15 miles from the Thai border ruptured the pipeline. Malaysian-owned Petronas, majority shareholder in the Yetagun gas fields, is investigating the cause of the explosion and refuses to publicly discuss the incident. Andrew Hay, former Petronas employee, corroborated reports that the explosion was caused by external factors, although he could not say who or what caused the explosion. The Thai Government, which purchases Yetagun gas, wants Petronas to repair the pipeline within ten days, but Petronas officials have indicated that the ongoing investigation and mountainous terrain along the border will delay repairs. A non-operational pipeline means that Petronas and its partners will lose an estimated \$3 million a day in revenues. Additionally, Petronas' contract dictates that Petronas pay the Burmese and Thai Governments up to \$90 million in penalties and fines for pipeline failure. Depending on how long the repairs take, Petronas and its partners could lose more than \$150 million in revenues. End Summary.

No Small Leak

[1](#)2. (C) April 2 news reports that the Yetagun pipeline, which

transports natural gas from the Yetagun gas fields in the Gulf of Martaban to Thailand, was leaking were inaccurate, Daewoo official Andrew Hay told us. Hay, who used to work for Yetagun Gas Field operator Petronas Myanmar, confirmed that Petronas shut down the Yetagun pipeline on April 2 after an external explosion ruptured the pipeline (Reftel). He could not say who or what caused the explosion, but confirmed that the pipeline did not burst due to high pressure. Petronas Production Control Manager Bob Thomas told Hay there is a one-meter hole in the pipeline and that the edges of the hole bent inwards, suggesting that an explosion occurred above the pipeline rather than inside of it.

13. (C) Malaysian-owned Petronas, which controls 41 percent of the Yetagun Gas Project, has brought in several security experts to investigate the April 2 incident and has refused to elaborate publicly about the causes of the pipeline rupture. The Burmese Government wants to conduct its own investigation and collect forensic evidence, which could take several weeks. According to Hay, this is the first time in more than 15 years that there has been a serious threat to the Yetagun or Yadana pipelines (which run side-by-side 50 miles from the Gulf of Martaban to Thailand). The last incident occurred in the late 1990s, when an unidentified person allegedly threw a grenade into French-owned Total's construction office during the building of the Yadana pipeline (Total is the majority shareholder in the Yadana Gas Field). Petronas and the GOB profess determination to uncover who sabotaged the pipeline and for what reason. Until then, Petronas, Total, and perhaps the 282 Infantry Battalion plan to closely monitor both the Yetagun and Yadana pipelines.

Pipeline Repairs: Difficult and Costly

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14. (C) Thai-owned PTTEP, which purchases gas from both the Yetagun and Yadana projects, has demanded that Petronas repair the pipeline within ten days, Hay told us. While Petronas has replacement pipe sections readily available, the logistics of replacing the pipeline require at least a month. Petronas must bring in qualified welders and excavators to remove and replace the pipeline, must ensure that the pipeline and the surrounding area are free of gas before beginning repairs, and must do hydro tests on the finished pipeline to prevent future leakages. Additionally, it will be difficult for Petronas staff to access the ruptured pipeline, which is located in the mountainous area approximately 15 miles from the Thai border. While Petronas is ready to start the repairs, the GOB has also requested the company to wait until after it has collected any forensic evidence left at the explosion site. Given that Burma's ten-day Water Festival holiday starts this week, it could take weeks for the GOB to finish its investigation, Hay commented. Until then, Petronas's hands are tied.

Penalties and Revenue Losses Add Up

15. (C) The pipeline rupture will cost Petronas and its joint venture partners - PTTEP, Myanmar Oil and Gas Enterprise, and Nippon Oil Exploration - millions. The consortium earns approximately \$3 million a day in revenues from the Yetagun pipeline; if the pipeline is not operational for a month, revenue losses could total more than \$90 million. Additionally, according to Petronas' production sharing contract with MOGE, the company has to pay penalties and fines for pipeline failures, specifically including sabotage, to the Burmese and Thai Governments, to cover lost power and other costs incurred by the end users. According to Hay, the fines for pipeline failure run up to \$90 million, in addition to the revenue losses. This incident alone, not including repairs, environmental cleanup, and security expenses, could cost Petronas more than \$150 million.

Comment

¶16. (C) Industry officials do not know who sabotaged the Yetagun pipeline or for what purpose, and they have no faith that the GOB will be able to conduct a successful investigation into the April 2 incident. Companies are now scrambling to increase security for the Yetagun and Yadana pipelines, but they are woefully unprepared for both the cost and the implementation of security measures. Companies like Daewoo and PetroChina, which will be constructing a 900-mile pipeline during the next few years, are now planning to add security measures to the overall pipeline operation - something that will exponentially raise the cost of the pipeline. Given the importance of the Yetagun and Yadana pipelines to the Burmese Government - gas exports account for \$2 billion in revenues annually - we can be sure that the regime will find someone to blame for the incident. Given their poor investigative skills, we doubt they will find the actual culprits. More likely, they will blame their usual suspects among the Burmese exiles living near the border.

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